

Mentor Township  
Oscoda County, Michigan  
Financial Report  
With Supplemental Information  
June 30, 2004

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Mentor Township</b>	County <b>Oscoda</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>12/10/04</b>	Date Accountant Report Submitted to State: <b>12/31/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

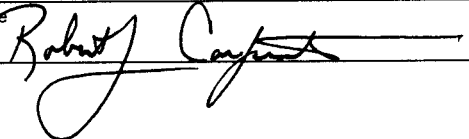
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

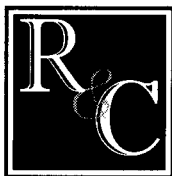
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Robertson &amp; Carpenter CPAs LLP</b>			
Street Address <b>P.O. Box 308</b>	City <b>Mio</b>	State <b>MI</b>	ZIP <b>48647-0308</b>
Accountant Signature 		Date <b>12/31/04</b>	

Mentor Township

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Robert J. Carpenter, CPA  
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CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITOR'S REPORT

Township Board  
Mentor Township  
Oscoda County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mentor Township as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mentor Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mentor Township as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and pages 22-23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Robertson & Carpenter, LLP*

Robertson & Carpenter LLP  
Certified Public Accountants  
December 10, 2004

## Management's Discussion and Analysis

As management of Mentor Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2004.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$498,076 (*net assets*). Of this amount, \$432,688 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$35,382.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$173,474, an increase of \$4,970 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$173,474 or 131% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and other. The Township does not have any business-type activities as of and for the year ended June 30, 2004.

The Government-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains three governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, and Road Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 12-13 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

### **Government-wide Financial Analysis**

*[Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of Township-wide data will be presented.]*

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$498,076 at the close of the most recent fiscal year.

A portion of the Township's net assets (13%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

### **Township's Net Assets**

		<b><u>Governmental Activities</u></b>
Current and Other Assets	\$	432,988
Capital Assets, Net		<u>65,388</u>
Total Assets	\$	498,376
Current Liabilities		<u>300</u>
Total Liabilities	\$	300
Net Assets:		
Invested in Capital Assets, Net of Related Debt		65,388
Unrestricted		<u>432,688</u>
Total Net Assets	\$	<u><u>254,041</u></u>

The Township's net assets increased by \$35,382 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$37,584 or 10%, during fiscal year 2004.

### Township's Changes in Net Assets

	<b>Governmental Activities</b>
<b>Revenue:</b>	
Program Revenue:	
Charges for services	\$ 9,195
Operating Grants and Contributions	20,884
General Revenue:	
Property Taxes	80,935
State-Shared Revenues	85,274
Interest and Rent Earnings	5,253
Other	<u>6,837</u>
<b>Total Revenue</b>	<b>\$ 208,378</b>
<b>Expenses:</b>	
General Government	\$ 94,443
Public Safety	40,847
Public Works	33,509
Other	<u>4,197</u>
<b>Total Expenses</b>	<b>\$ <u>172,996</u></b>
<b>Increase in Net Assets</b>	<b>35,382</b>
Net Assets, Beginning of Year	<u>462,694</u>
<b>Net Assets, End of Year</b>	<b>\$ <u><u>498,076</u></u></b>

**Governmental activities.** The Township's total governmental revenues increased by \$8,767 from last fiscal year. This was primarily attributed to additional revenue from property taxes. Expenses decreased by \$28,755. The decrease was primarily due to decreased fire protection expenses.

### Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$433,857, an increase of \$37,584 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 99% of this total amount or \$431,432.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 129% and total fund balance represents 131% of total general fund expenditures.

The fund balance of the General Fund increased by \$4,970 during the current fiscal year.

### **General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire and Road Funds. Each of the budgeted funds were amended during the year.

### **Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of June 30, 2004, amounted to \$65,388 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$2,376 for the fiscal year.

#### **Township's Capital Assets** (net of depreciation)

Land	\$	12,913
Land Improvements		1,643
Buildings		21,214
Buildings – Fire Department		11,673
Equipment – Fire Department		14,265
Furniture and Equipment		<u>3,680</u>
<b>Total</b>	<b>\$</b>	<b><u>65,388</u></b>

Additional information on the Township's capital assets can be found in note 5 on page 19 of this report.

## **Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2004-2005 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2003-2004, the Township received \$85,274 in state shared revenue, representing 66% of the revenues in the General Fund. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mentor Township  
P.O. Box 730  
Mio, Michigan 48647-0730

Mentor Township  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$ 369,644
Receivables: (Note 4)	
Other	-
Intergovernmental	60,494
Prepaid expense	2,850
Capital assets-net (Note 5)	<u>65,388</u>
Total assets	<u>498,376</u>
 <b>Liabilities</b>	
Accounts payable	-
Intergovernmental payables	<u>300</u>
Total liabilities	<u>300</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	65,388
Unrestricted	<u>432,688</u>
Total net assets	<u>\$ 498,076</u>

See accompanying notes to financial statements.

Mentor Township  
Statement of Activities  
Year ended June 30, 2004

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants	Activities Net (Expense) Revenue and Changes in Net Assets
<b>Governmental Activities</b>				
General government	\$ 94,443	\$ 9,195	\$ -	\$ (85,248)
Public safety	40,847	-	-	(40,847)
Public works	33,509	-	20,884	(12,625)
Other	4,197	-	-	(4,197)
Total governmental activities	<u>\$ 172,996</u>	<u>\$ 9,195</u>	<u>\$ 20,884</u>	<u>(142,917)</u>
<b>General Revenues:</b>				
Property taxes - operating				37,597
Property taxes - fire				43,338
State-shared revenues				85,274
Interest and investment earnings				5,253
Other				6,837
Total general revenues				<u>178,299</u>
<b>Change in Net Assets</b>				35,382
<b>Net assets</b> - beginning of year				<u>462,694</u>
<b>Net assets</b> - end of year				<u>\$ 498,076</u>

**Amounts reported for governmental activities are different because:**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 37,584
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	\$ (4,578)
Capital outlay	<u>2,376</u>
	<u>(2,202)</u>
<b>Change in Net Assets of Governmental Activities</b>	<u>\$ 35,382</u>

See accompanying notes to financial statements.

Mentor Township  
Governmental Funds  
Balance Sheet  
June 30, 2004

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 114,436	\$ 103,924	\$ 151,284	\$ 369,644
Accounts receivable	-	-	-	-
Due from other funds	1,159	2,325	-	3,484
Due from other governmental units	60,494	-	-	60,494
Prepaid expense	-	2,850	-	2,850
Total assets	<u>\$ 176,089</u>	<u>\$ 109,099</u>	<u>\$ 151,284</u>	<u>\$ 436,472</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	2,315	-	-	2,315
Due to other governments	300	-	-	300
Total liabilities	<u>2,615</u>	<u>-</u>	<u>-</u>	<u>2,615</u>
<b>Fund balances</b>				
Unreserved:				
Designated:				
Metro Act	2,425	-	-	2,425
Undesignated:				
General Fund	171,049	-	-	171,049
Special Revenue Funds	-	109,099	151,284	260,383
Total fund balances	<u>173,474</u>	<u>109,099</u>	<u>151,284</u>	<u>433,857</u>
Total liabilities and fund balances	<u>\$ 176,089</u>	<u>\$ 109,099</u>	<u>\$ 151,284</u>	<u>\$ 436,472</u>

**Amounts reported for governmental activities in the statement of net assets are different because:**

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 433,857</b>
Elimination of due to and due from governmental funds	
Due to	2,315
Due from	(3,484)
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	129,034
Accumulated depreciation is	(63,646)
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 498,076</u></b>

See accompanying notes to financial statements.

Mentor Township  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
June 30, 2004

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes and penalties	\$ 37,597	\$ 43,338	\$ -	\$ 80,935
Licenses and permits	3,184	-	-	3,184
Federal grants	-	-	20,884	20,884
State grants	85,274	-	-	85,274
Charges for services	6,011	-	-	6,011
Interest and rentals	1,072	1,489	2,692	5,253
Other revenue	4,104	2,733	-	6,837
Total revenues	<u>137,242</u>	<u>47,560</u>	<u>23,576</u>	<u>208,378</u>
<b>Expenditures</b>				
Current:				
General government	92,003	-	-	92,003
Public safety	7,575	31,134	-	38,709
Public works	26,121	-	7,388	33,509
Other	4,197	-	-	4,197
Capital outlay	2,376	-	-	2,376
Total expenditures	<u>132,272</u>	<u>31,134</u>	<u>7,388</u>	<u>170,794</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	4,970	16,426	16,188	37,584
<b>Fund balance - July 1, 2003</b>	<u>168,504</u>	<u>92,673</u>	<u>135,096</u>	<u>396,273</u>
<b>Fund balance - June 30, 2004</b>	<u>\$ 173,474</u>	<u>\$ 109,099</u>	<u>\$ 151,284</u>	<u>\$ 433,857</u>

See accompanying notes to financial statements.

Mentor Township  
Fiduciary Funds  
Statement of Net Assets  
June 30, 2004

	Trust Fund- Pension Fund	Agency Fund Type (Property Tax Collection Fund)
<b>Assets</b>		
Cash	\$ -	\$ 1,234
Investments - at fair value	46,970	-
Due from other funds	-	-
	<u>-</u>	<u>-</u>
Total assets	\$ <u><u>46,970</u></u>	\$ <u><u>1,234</u></u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Due to other funds	-	1,169
Due to other governments	-	65
	<u>-</u>	<u>1,234</u>
Total liabilities	<u>-</u>	\$ <u><u>1,234</u></u>
<b>Net Assets - Held in Trust for Pension Benefits</b>	\$ <u><u>46,970</u></u>	

See accompanying notes to financial statements.

Mentor Township  
Fiduciary Fund  
Statement of Changes in Net Assets  
Year ended June 30, 2004

	Trust Fund- Pension Fund
<b>Additions</b>	
Contributions	
Employer	\$ 3,423
Investment earnings	<u>1,728</u>
Total Additions	5,151
<b>Deductions</b>	
Administrative expenses	185
Benefits	<u>-</u>
Total deductions	<u>185</u>
<b>Net increase</b>	4,966
<b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of the year	<u>42,004</u>
End of the year	\$ <u><u>46,970</u></u>

See accompanying notes to financial statements.



Mentor Township  
Notes to Financial Statements  
June 30, 2004

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Mentor Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

**Reporting Entity**

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

**Government-wide and Fund Financial Statements**

The Government-side financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire fund is used to record property tax revenue, interest earnings and other revenue restricted for providing fire protection services.

The Road Fund is used to record Federal Grants and interest earnings that are restricted for use on Township Roads.

Additionally, the Township reports the following funds:

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

**Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Mentor Township  
Notes to Financial Statements  
June 30, 2004

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2003 taxable value of the Township was \$36,505,177. The 2003 tax levy was .8615 mills for general operating purposes raising \$31,449 for general operating purposes and 1.1879 mills for fire protection raising 43,364 for fire protection purposes.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Office furnishings	5-20 years
Other equipment	5-20 years

**Compensated Absences** - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township has designated fund balance in the operating fund of \$2,425 at June 30, 2004. This amount is designated to be used for purposes described in the Metro Act.

Mentor Township  
Notes to Financial Statements  
June 30, 2004

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Accounting Change - Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No, 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$129,034 previously reported in the General Fixed Asset Account Group. Capital assets being depreciated at July 1, 2003 previously reported in the General Fixed Asset Account Group have been reduced by \$26,347 to reflect historical cost of the Township's assets at that date.

The fund financial statements focus on major funds rather than fund types.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. There were no budget amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Mentor Township  
Notes to Financial Statements  
June 30, 2004

**Note 2 - Stewardship, Compliance and Accountability**

**Excess of expenditures over appropriations in budgeted funds:**

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
General government:			
Township operations	\$ 20,210	\$ 20,358	\$ 148
Cemetery	9,200	9,853	653
Public safety	7,500	7,575	75
Public works:			
Sewer & water	14,150	14,350	200
Recycle/compost	-	680	680

**Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Mentor Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Mentor Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Township Total</u>
Cash and cash equivalents	\$ 369,644	\$ 1,234	\$ 370,878
Investments	-	46,970	46,970
Total	<u>\$ 369,644</u>	<u>\$ 48,204</u>	<u>\$ 417,848</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and CDs)	\$ 370,878
Investments	46,970
	<u>\$ 417,848</u>

The deposits of the Township were reflected in the accounts of one financial institution, of which \$105,165 is covered by federal depository insurance.

The only investments are in the Pension Fund. These investments do not allow risk categorization.

Mentor Township  
Notes to Financial Statements  
June 30, 2004

**Note 4 - Receivables**

Receivables as of year-end for the Township's major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

Receivables:	General Fund	Fire Fund	Road Fund	Road Fund	Total
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	60,494	-	-	-	60,494
	<u>\$ 60,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,494</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township did not have any deferred revenue at June 30, 2004.

**Note 5 - Capital Assets**

Capital assets activity of the Township's Governmental activities were as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 12,913	\$ -	\$ -	\$ 12,913
Capital assets being depreciated:				
Land improvements	-	1,700	-	1,700
Buildings	37,356	-	-	37,356
Buildings - Fire Department	24,923	-	-	24,923
Equipment - Fire Department	25,166	-	-	25,166
Furniture & equipment	26,300	676	-	26,976
Subtotal	<u>113,745</u>	<u>2,376</u>	<u>-</u>	<u>116,121</u>
Accumulated Depreciation				
Land improvements	-	57	-	57
Buildings	15,115	1,027	-	16,142
Buildings - Fire Department	12,644	606	-	13,250
Equipment - Fire Department	9,369	1,532	-	10,901
Furniture & equipment	21,940	1,356	-	23,296
Subtotal	<u>59,068</u>	<u>4,578</u>	<u>-</u>	<u>63,646</u>
Net capital assets being depreciated	<u>54,677</u>	<u>(2,202)</u>	<u>-</u>	<u>52,475</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 67,590</u>	<u>\$ (2,202)</u>	<u>\$ -</u>	<u>\$ 65,388</u>

Mentor Township  
Notes to Financial Statements  
June 30, 2004

**Note 5 - Capital Assets (Continued)**

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:		
General government	\$	2,440
Public safety		2,138
Total governmental activities	\$	<u>4,578</u>

**Note 6 - Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 1,159	General Fund	\$ 2,315
Fire Fund	2,325	Fiduciary Funds	1,169
Total	\$ <u>3,484</u>	Total	\$ <u>3,484</u>
<u>Transfers In</u>		<u>Transfers Out</u>	
None	\$ <u>-</u>	None	\$ <u>-</u>

**Note 7 - Risk Management**

Mentor Township is exposed to various risks of loss related to theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

**Note 8 - Pension Plan**

Mentor Township provides pension benefits for the Township Board through a defined contribution plan. The plan is administered by Municipal Retirement Systems, Inc. which invests the Township's contributions with Gleaner Life Insurance Society. The investments consist of individual retirement annuities and totaled \$46,970 as of June 30, 2004.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The plan requires the Township to contribute 7.5% of the participant earnings and does not allow participants to make contributions. The Township's contributions for each participant are fully vested when paid to the plan. A participant that leaves the employment of the Township is entitled to the balance in his individual annuity account.

The Township's total payroll for the year ended June 30, 2004 was approximately \$60,278. The payroll of the eligible participants was \$43,173; the Township made the required contribution of \$3,238. The administrative fee of \$185 was paid in addition to the required contribution.

Mentor Township  
Notes to Financial Statements  
June 30, 2004

**Note 8 - Pension Plan (Continued)**

No pension provision changes occurred during the year that affected the required contributions to be made by the Township. The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

**Note 9 - Joint Venture - Utility Authority**

The Township is a participant in a joint venture with Big Creek Township. The Big Creek - Mentor Utility Authority operates and maintains a water and sewer system. Each of the townships appoint two members to the Utility Authority Board, these four members then appoint the fifth member from the residents of the two townships. Mentor Township has a 50 percent interest in the venture and has advanced \$60,494 to the Utility Authority.

At March 31, 2004, the date of the most recent available financial statements, the Utility Authority had assets of \$9,401,571 which consisted of cash and receivables totaling \$685,945 and net fixed assets of \$8,715,626. Liabilities were \$2,210,234 and equity was \$7,191,337. Complete separate financial statements for the Utility Authority are available at the Mentor Township offices, 216 10th Street, Mio, Michigan.

**Note 10 - Joint Venture - Fire Protection**

The Township is a participant in a joint venture, Tri-Town Fire Department, with the Townships of Big Creek and Elmer for the purpose of providing fire protection services to the residents of the townships. The Tri-Town Fire Board is composed of the Supervisor of each of the three townships, two township board members from Big Creek Township and one township board member from each of Mentor Township and Elmer Township.

Mentor Township's financial support of the Tri-Town Fire Department is determined on a ratio of Mentor Township's state equalized valuation compared to the total state equalized valuation of all three townships. This percentage for the year ended March 31, 2004 was approximately 24.65%, and the amount contributed was \$19,963.

The most recent available financial statement of Tri-Town Fire Department shows a cash balance of \$43,605 as of March 31, 2004 and a total of \$429,064 in the general fixed asset group of accounts. The General Fund has liabilities of \$722 and a fund balance of \$42,883. A complete set of financial statements are available at the office of the Big Creek Township Treasurer, 110 W. 12th Street, Mio, Michigan.



**Required Supplemental Information**

Mentor Township  
Budgetary Comparison Schedule - General Fund  
Year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	2004	2004	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
<b>Fund Balance - Beginning of year</b>	\$ 160,376	\$ 160,376	\$ 168,504	\$ 8,128
<b>Resources (Inflows)</b>				
Taxes and fees	31,437	31,437	37,597	6,160
Licenses and permits	2,000	2,550	3,184	634
Federal grants	-	-	-	-
State grants	85,317	85,317	85,274	(43)
Charges for services	4,000	5,000	6,011	1,011
Interest and rentals	700	1,000	1,072	72
Other	1,016	3,000	4,104	1,104
Amounts available for appropriation	<u>124,470</u>	<u>128,304</u>	<u>137,242</u>	<u>8,938</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	87,570	91,350	92,003	653
Public safety	7,200	7,500	7,575	75
Public works	21,900	25,450	26,121	671
Other	4,350	4,375	4,197	(178)
Capital outlay	2,400	2,400	2,376	(24)
Total charges to appropriations	<u>123,420</u>	<u>131,075</u>	<u>132,272</u>	<u>1,197</u>
<b>Fund Balance - end of year</b>	\$ <u>161,426</u>	\$ <u>157,605</u>	\$ <u>173,474</u>	\$ <u>15,869</u>

Mentor Township  
Budgetary Comparison Schedule - Fire Fund  
Year ended June 30, 2004

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2004 Original	2004 Final		
<b>Fund Balance - Beginning of year</b>	\$ 92,673	\$ 92,673	\$ 92,673	\$ -
<b>Resources (Inflows)</b>				
Taxes and fees	43,348	43,348	43,338	(10)
Federal grants	-	-	-	-
State grants	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	170	80	1,489	1,409
Other	-	-	2,733	2,733
Amounts available for appropriation	<u>136,191</u>	<u>136,101</u>	<u>140,233</u>	<u>4,132</u>
<b>Charges to Appropriations (Outflows)</b>				
Public safety	41,363	41,363	31,134	(10,229)
Capital outlay	<u>2,000</u>	<u>2,000</u>	-	(2,000)
Total charges to appropriations	<u>43,363</u>	<u>43,363</u>	<u>31,134</u>	<u>(12,229)</u>
<b>Fund Balance - end of year</b>	<u>\$ 185,501</u>	<u>\$ 185,411</u>	<u>\$ 201,772</u>	<u>\$ 16,361</u>

Mentor Township  
Budgetary Comparison - Road Fund  
Year ended June 30, 2004

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2004 Original	2004 Final		
<b>Fund Balance - Beginning of year</b>	\$ 135,096	\$ 135,096	\$ 135,096	\$ -
<b>Resources (Inflows)</b>				
Federal grants	17,900	18,010	20,884	2,874
State grants	-	-	-	-
Interest and rentals	1,800	1,690	2,692	1,002
Other	-	-	-	-
Amounts available for appropriation	<u>154,796</u>	<u>154,796</u>	<u>158,672</u>	<u>3,876</u>
<b>Charges to Appropriations (Outflows)</b>				
Public works	8,000	8,000	7,388	(612)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>8,000</u>	<u>8,000</u>	<u>7,388</u>	<u>(612)</u>
<b>Fund Balance - end of year</b>	<u>\$ 281,892</u>	<u>\$ 281,892</u>	<u>\$ 286,380</u>	<u>\$ 4,488</u>

## **Supplemental Information**

Mentor Township  
General Fund  
Detail of Revenues - Budget and Actual  
Year ended June 30, 2004

Revenues	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Taxes	\$ 31,437	\$ 37,597	\$ 6,160
Licenses and permits	2,550	3,184	634
Federal grants	-	-	-
State grants	85,317	85,274	(43)
Charges for services	5,000	6,011	1,011
Interest and rentals	1,000	1,072	72
Other	3,000	4,104	1,104
Total Revenues	\$ <u>128,304</u>	\$ <u>137,242</u>	\$ <u>8,938</u>

Mentor Township  
General Fund  
Detail of Expenditures - Budget & Actual  
Year ended June 30, 2004

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
<b>Expenditures</b>			
Current			
General Government			
Legislative	4,470	4,470	-
Supervisor	7,060	7,060	-
Elections	200	145	55
Assessor	15,475	15,449	26
Legal	3,800	3,778	22
Clerk	11,340	11,334	6
Audit	1,900	1,900	-
Board of Review	970	970	-
Treasurer	16,725	16,686	39
Township Operations	20,210	20,358	(148)
Cemetery	9,200	9,853	(653)
Total General Government	<u>91,350</u>	<u>92,003</u>	<u>(653)</u>
Public Safety			
Zoning and Planning	<u>7,500</u>	<u>7,575</u>	<u>(75)</u>
Public Works			
Street lighting	11,300	11,091	209
Sewer and Water	14,150	14,350	(200)
Recycle/Compost	-	680	(680)
Total Public Works	<u>25,450</u>	<u>26,121</u>	<u>(671)</u>
Other			
Social security	950	775	175
Pension	3,425	3,422	3
Miscellaneous	-	-	-
Total Other	<u>4,375</u>	<u>4,197</u>	<u>178</u>
<b>CAPITAL OUTLAY</b>			
Township Operations	<u>2,400</u>	<u>2,376</u>	<u>24</u>
 Total Expenditures	 \$ <u>131,075</u>	 \$ <u>132,272</u>	 \$ <u>(1,197)</u>

Mentor Township  
Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year ended June 30, 2004

Current Tax Collection Fund				
	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Assets</b>				
Cash	\$ <u>1,413</u>	\$ <u>328,445</u>	\$ <u>328,624</u>	\$ <u>1,234</u>
<b>Liabilities</b>				
Due to other funds	\$ 1,064	\$ 66,098	\$ 65,993	\$ 1,169
Due to county	349	248,004	248,288	65
Due to schools	-	12,158	12,158	-
Due to utility authority	-	1,517	1,517	-
Refunds	-	668	668	-
Total liabilities	\$ <u>1,413</u>	\$ <u>328,445</u>	\$ <u>328,624</u>	\$ <u>1,234</u>